

CITY OF LAKE ANGELUS
Oakland County, Michigan

Report on Audit of Accounts

June 30, 2008

CITY OF LAKE ANGELUS
OAKLAND COUNTY, MICHIGAN
TABLE OF CONTENTS

| | Page |
|--|------|
| Table of Contents | 1 |
| <u>FINANCIAL SECTION</u> | |
| Independent Auditor's Report | 2 |
| Management's Discussion and Analysis | 3 |
| Basic Financial Statements: | |
| Government Wide Financial Statements For The Year Ended June 30, 2008: | |
| Statement of Net Assets | 6 |
| Statement of Activities | 7 |
| Fund Financial Statements For The Year Ended June 30, 2008: | |
| Balance Sheet - Governmental Funds | 8 |
| Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities | 9 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds | 10 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 11 |
| Statement of Assets and Liabilities - Agency Funds | 12 |
| Notes to the Financial Statements | 13 |
| Required Supplemental Information: | |
| Budgetary Comparison Schedules: | |
| General Fund | 20 |
| Major Road Fund | 23 |
| Local Road Fund | 24 |
| Improvement Revolving Fund | 25 |

JANZ & KNIGHT, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS
300 EAST LONG LAKE ROAD, SUITE 360
BLOOMFIELD HILLS, MICHIGAN 48304-2377

TELEPHONE (248) 646-9666
FACSIMILE (248) 646-3857

FREDERICK C. JANZ
ROBERT L. KNIGHT
KENNETH E. ZINK
JOHN M. FOSTER

JOHN W. MACKEY
MICHAEL V. HIGGINS
JOHN E. MIELKE, JR.
DAWN M. LENGERS
JOSHUA J. LYNN
TROY R. FORMAN
JAMES A. STEPHENSON, IV
STEPHEN C. OTIS

50
YEARS
1954-2004

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The City Council
City of Lake Angelus
Oakland County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Lake Angelus, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Lake Angelus, Michigan, management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Lake Angelus, Michigan, as of June 30, 2008 and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Very truly yours,

Janz & Knight, PLC

Certified Public Accountants

Bloomfield Hills, Michigan

October 24, 2008

CITY OF LAKE ANGELUS, MICHIGAN

June 30, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Lake Angelus's (the City) management's discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), identify significant variances from the approved budget, and identify individual fund issues or concerns.

Using this Annual Report

The City's annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than government-wide financial statements.

Government-Wide Financial Statements

The government-wide financial statements consist of the Statement of Net Assets and Statement of Activities. They are designed to be corporate-like in that all governmental and business-type funds are consolidated into columns which add to a total for the primary government. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are also taken into account regardless of timing of cash being paid or received.

The City as a Whole

Net Assets - The City's combined net assets were \$2,549,361 at the close of the year ended June 30, 2008. This represents an increase of \$128,477 or a 5.3% increase from a year ago.

The following table reflects the condensed Statement of Net Assets for the years ended June 30, 2008 and 2007:

Table 1
Statement of Net Assets

| | <u>Governmental Activities</u> | |
|-----------------------------------|--------------------------------|--------------------|
| | <u>2008</u> | <u>2007</u> |
| ASSETS | | |
| Current and other assets | \$1,069,625 | \$ 947,452 |
| Capital assets | <u>1,502,231</u> | <u>1,497,650</u> |
| Total assets | <u>\$2,571,856</u> | <u>\$2,445,102</u> |
| LIABILITIES AND NET ASSETS | | |
| Current and other liabilities | \$ 22,495 | \$ 24,218 |
| Net assets: | | |
| Invested in capital assets | 1,502,231 | 1,497,650 |
| Restricted | 188,376 | 177,982 |
| Unrestricted | <u>858,754</u> | <u>745,252</u> |
| Total net assets | <u>\$2,549,361</u> | <u>\$2,420,884</u> |
| Total liabilities and net assets | <u>\$2,571,856</u> | <u>\$2,445,102</u> |

Unrestricted net assets are net assets that can be used to finance day to day operations. Restricted net assets of the City totaled approximately \$188,000. These net assets have limitations on their use that were imposed by restrictions such as enabling legislation, grant or bond covenants. The investment in capital assets represents the City's capital assets that provide services to citizens; accordingly, these assets are not available for future spending.

CITY OF LAKE ANGELUS, MICHIGAN

June 30, 2008

The following table shows the changes in net assets for the years ended June 30, 2008 and 2007:

Table 2
Changes in Net Assets

| | <u>Governmental Activities</u> | |
|------------------------------------|--------------------------------|--------------------|
| | <u>2008</u> | <u>2007</u> |
| Program Revenue: | | |
| Charges for services | \$ 16,403 | \$ 24,201 |
| Operating grants and contributions | 18,525 | 15,321 |
| General Revenue: | | |
| Property taxes | 664,716 | 646,761 |
| State shared revenue | 26,097 | 25,918 |
| Interest income | 43,923 | 38,092 |
| Franchise fees | 5,552 | 7,008 |
| Donations | 8,075 | |
| Miscellaneous | 785 | 1,563 |
| Consent judgment | 22,720 | 22,203 |
| Sale of assets | (7,627) | (1,929) |
| Total revenue | \$ 799,169 | \$ 779,138 |
| Program Expenses: | | |
| General government | 183,908 | 163,417 |
| Public safety | 472,031 | 490,801 |
| Public works | 7,930 | 5,740 |
| Recreation and culture | 6,823 | 8,471 |
| Community and economic development | | 188 |
| Total program expenses | \$ 670,692 | \$ 668,617 |
| Increase (decrease) in net assets | \$ 128,477 | \$ 110,521 |
| Net assets - beginning of year | <u>2,420,884</u> | <u>2,310,363</u> |
| Net assets - end of year | <u>\$2,549,361</u> | <u>\$2,420,884</u> |

As shown in the above table total revenues were approximately \$799,000, of which 83% was obtained from property taxes and 3% from state shared revenue. Total expenses were approximately \$671,000, of which 72% of the City's expenses related to public safety and public works.

The City Funds

The analysis of the City's major funds begins on page 8, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The City's major funds for 2008 include the General Fund, Major Road Fund, Local Road Fund and the Improvement Revolving Fund.

The General Fund is the main operating fund of the City. Total revenues for the year were approximately \$792,000. Of this revenue, state-shared revenue accounted for 3% and property taxes 84% of the total revenue. Total expenditures for the year were approximately \$680,000. Of these expenditures, public safety accounted for 69% and capital outlay accounted for 5% of the total expenditures. At June 30, 2008 the unreserved fund balance of \$752,859 represented 111% of the total General Fund expenditures for the year.

The Major Road Fund accounts for the repairs, maintenance and construction of all City major streets. The fund balance of this fund at year end was approximately \$70,000.

The Local Road Fund accounts for the repairs, maintenance and construction of all City local streets. The fund balance of this fund at year end was approximately \$32,000.

The Improvement Revolving Fund is used to account for money advanced for future capital and emergency needs of the City. The fund balance of this fund at year end was approximately \$106,000.

CITY OF LAKE ANGELUS, MICHIGAN

June 30, 2008

General Fund Budgetary Highlights

Over the course of the year, the City Council amended the budget to take into account events during the year. The budget for licenses and permit revenue was increased because of increased activity and a revised permit fee schedule. The budget for interest earnings was increased because of increased available funds to be invested. The budget for donations was amended to reflect the creation of the Lake Restoration Fund. The City Council budget was amended to reflect reduced legal fees. The City Hall budget was amended to reflect additional police building improvements. The City Recreation budget was increased to reflect additional road maintenance improvements. The Public Safety budget was amended to reflect less than anticipated expenditures for radio and dispatch services. The reserve for contingency budget was amended to reflect the net effect of all of the budget amendments. Overall, all departments stayed below budget. General Fund total expenditures of \$679,566 were below the amended budget amount of \$787,517.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2008, the City had \$1,502,231 invested in a broad range of capital assets (net of accumulated depreciation), including land, buildings and police equipment. In addition, the City has invested in roads and related infrastructure within the City.

During the year the City added major capital assets as follows:

| | |
|---------------------------------|----------|
| City Hall windows | \$14,833 |
| Police vehicle with accessories | 28,164 |

Long-Term Debt

The City has no outstanding long-term debt.

Economic Factors and Next Year's Budgets and Rates

The City's 2009 budget was prepared using various economic factors as follows:

Revenues:

Property tax revenues are expected to increase by approximately \$26,000. This increase is primarily the result of a change in taxable value of property being sold or improved within the City. The millage rate for 2009 is unchanged at 9.9571.

State shared revenue is expected to be consistent with 2008 revenue amounts.

Interest income is expected to be slightly lower than 2008 revenue amounts.

Licenses and permits revenue is expected to be consistent with 2008 revenue amounts.

Expenditures:

Environmental expenditures are expected to be higher.

Fire protection reflects scheduled increases.

Repairs and maintenances expenditures are expected to be higher.

Police dispatch is expected to be higher.

Capital outlay is expected to be lower.

The projected General Fund's unreserved fund balance at June 30, 2009 is approximately \$839,000 which represents approximately 102% of the General Fund expenditures for the year ended June 30, 2009.

Request for Information

This financial report is intended to provide citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions or concerns about this report or need additional information, contact the Clerk's Office, at the City of Lake Angelus, 45 Gallogly Road, Lake Angelus, Michigan 48326.

CITY OF LAKE ANGELUS, MICHIGAN

STATEMENT OF NET ASSETS

June 30, 2008

| | Governmental Activities |
|---|----------------------------|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 968,257 |
| Accrued interest receivable | 14,674 |
| Due from agency funds | 489 |
| Restricted assets - cash and cash equivalents | 86,205 |
| Capital assets (net) | 1,502,231 |
| Total assets | \$ 2,571,856 |
| LIABILITIES AND NET ASSETS | |
| Current liabilities: | |
| Accounts payable | \$ 6,171 |
| Deposits payable | 16,324 |
| Total liabilities | \$ 22,495 |
| Net assets: | |
| Invested in capital assets | 1,502,231 |
| Restricted for: | |
| Major and local roads | 102,171 |
| Environmental expenditures | 78,130 |
| City Hall Restoration | 8,075 |
| Unrestricted | 858,754 |
| Total net assets | \$ 2,549,361 |
| Total liabilities and net assets | \$ 2,571,856 |

The attached notes are an integral part of the financial statements.

CITY OF LAKE ANGELUS, MICHIGAN

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2008

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Assets |
|---|-------------------|----------------------|------------------------------------|---|
| | | Charges for Services | Operating Grants and Contributions | Governmental Activities |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 183,908 | \$ | | \$ (183,908) |
| Public safety. | 472,031 | 16,403 | | (455,628) |
| Public works | 7,930 | | 13,120 | 5,190 |
| Recreation and culture | 6,823 | | | (6,823) |
| Total primary government | <u>\$ 670,692</u> | <u>\$ 16,403</u> | <u>\$ 13,120</u> | <u>\$ (641,169)</u> |
| General revenues: | | | | |
| Property taxes. | | | | 664,716 |
| State shared revenues | | | | 26,097 |
| Interest income | | | | 43,923 |
| Franchise fees. | | | | 5,552 |
| Donations | | | | 8,075 |
| Miscellaneous | | | | 6,190 |
| Special items: | | | | |
| Sale of fixed assets. | | | | (7,627) |
| Consent judgement | | | | 22,720 |
| Total general revenue and special items | | | | <u>\$ 769,646</u> |
| Changes in net assets | | | | \$ 128,477 |
| Net assets - July 1, 2007 | | | | <u>2,420,884</u> |
| Net assets - June 30, 2008. | | | | <u>\$ 2,549,361</u> |

The attached notes are an integral part of the financial statements.

CITY OF LAKE ANGELUS, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2008

| | General | Major Road | Local Road | Improvement Revolving | Total Governmental Funds |
|---|-------------------|------------------|------------------|--------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 760,191 | \$ 69,806 | \$ 32,365 | \$ 105,895 | \$ 968,257 |
| Accrued interest receivable | 14,674 | | | | 14,674 |
| Due from other funds | 489 | | | | 489 |
| Restricted assets - cash and cash equivalents | 86,205 | | | | 86,205 |
| Total assets | <u>\$ 861,559</u> | <u>\$ 69,806</u> | <u>\$ 32,365</u> | <u>\$ 105,895</u> | <u>\$ 1,069,625</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 6,171 | \$ | \$ | \$ | \$ 6,171 |
| Deposits payable | 16,324 | | | | 16,324 |
| Total liabilities | \$ 22,495 | \$ | \$ | \$ | \$ 22,495 |
| Fund balances: | | | | | |
| Reserved | 86,205 | | | | 86,205 |
| Unreserved - undesignated | 752,859 | 69,806 | 32,365 | 105,895 | 960,925 |
| Total fund balances | <u>\$ 839,064</u> | <u>\$ 69,806</u> | <u>\$ 32,365</u> | <u>\$ 105,895</u> | <u>\$ 1,047,130</u> |
| Total liabilities and fund balances | <u>\$ 861,559</u> | <u>\$ 69,806</u> | <u>\$ 32,365</u> | <u>\$ 105,895</u> | <u>\$ 1,069,625</u> |

The attached notes are an integral part of the financial statements.

CITY OF LAKE ANGELUS, MICHIGAN
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

June 30, 2008

Total governmental fund balances. \$ 1,047,130

Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities are not financial
resources, and are not reported in the governmental funds:

| | | |
|-------------------------------|-------------|------------------|
| Governmental capital assets | \$1,817,706 | |
| Less accumulated depreciation | (315,475) | <u>1,502,231</u> |

Net assets of governmental activities. \$ 2,549,361

The attached notes are an integral part of the financial statements.

CITY OF LAKE ANGELUS, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2008

| | General | Major Road | Local Road | Improvement Revolving | Total Governmental |
|--|------------|---------------|---------------|--------------------------|-----------------------|
| Revenues: | | | | | |
| Current taxes | \$ 664,716 | \$ | \$ | \$ | \$ 664,716 |
| Licenses and permits | 15,194 | | | | 15,194 |
| State sources | 26,097 | 9,397 | 3,723 | | 39,217 |
| Fines and forfeitures | 1,209 | | | | 1,209 |
| Interest earnings | 37,194 | 2,607 | 200 | 3,922 | 43,923 |
| Other | 47,137 | | | | 47,137 |
| Total revenues | \$ 791,547 | \$ 12,004 | \$ 3,923 | \$ 3,922 | \$ 811,396 |
| Expenditures: | | | | | |
| General government | 172,669 | | | 4 | 172,673 |
| Public safety | 466,375 | | | | 466,375 |
| Public works | | 4,588 | 3,342 | | 7,930 |
| Recreation and culture | 7,065 | | | | 7,065 |
| Capital outlay | 33,457 | | | | 33,457 |
| Total expenditures | \$ 679,566 | \$ 4,588 | \$ 3,342 | \$ 4 | \$ 687,500 |
| Excess of revenues over expenditures | \$ 111,981 | \$ 7,416 | \$ 581 | \$ 3,918 | \$ 123,896 |
| Other financing sources (uses): | | | | | |
| Operating transfers in | | | 4,699 | | 4,699 |
| Operating transfers out | | (4,699) | | | (4,699) |
| Total other financing sources (uses) | \$ | \$ (4,699) | \$ 4,699 | \$ | \$ |
| Excess of revenues and other sources over expenditures and other uses | \$ 111,981 | \$ 2,717 | \$ 5,280 | \$ 3,918 | \$ 123,896 |
| Fund balance - July 1, 2007 | 727,083 | 67,089 | 27,085 | 101,977 | 923,234 |
| Fund balance - June 30, 2008 | \$ 839,064 | \$ 69,806 | \$ 32,365 | \$ 105,895 | \$ 1,047,130 |

The attached notes are an integral part of the financial statements.

CITY OF LAKE ANGELUS, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2008

Net change in fund balances - total governmental fund. \$ 123,896

Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlays as expenditures;
in the statement of activities, these costs are allocated
over their estimated useful lives as depreciation:

| | | |
|---------------------------------|----------|--------|
| Expenditures for capital assets | \$54,283 | |
| Less current year depreciation | (37,475) | 16,808 |

Governmental funds only report the disposal of assets to the
extent proceeds are received from the sale. In the Statement of
Activities, a gain or loss is reported for each disposal (12,227)

Change in net assets of governmental activities. \$ 128,477

CITY OF LAKE ANGELUS, MICHIGAN
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2008

| | <u>Tax Collection Fund</u> |
|-------------------------------------|--------------------------------|
| ASSETS | |
| Cash and cash equivalents | <u>\$ 489</u> |
| Total assets | <u>\$ 489</u> |
| LIABILITIES | |
| Due to other funds | <u>\$ 489</u> |
| Total liabilities | <u>\$ 489</u> |

CITY OF LAKE ANGELUS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A - Summary of Significant Accounting Policies

The accounting policies of the City of Lake Angelus conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Lake Angelus.

Reporting Entity

The City of Lake Angelus is governed by an elected five-member Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Revenues are recognized in the accounting period in which they become susceptible to accrual--that is, when they become both measurable and available to finance expenditures of the period. Property taxes, state-shared revenue, interest, reimbursement grants, and charges for services are considered to be susceptible to accrual and so have been recognized as revenue of the current period. All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

CITY OF LAKE ANGELUS, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE A - Summary of Significant Accounting Policies (continued)

Governmental Funds

The City reports the following major governmental funds:

General Fund

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Road Fund

The Major Road Fund accounts for the repairs, maintenance, and construction of all the City's major streets. The revenues consist of State-shared gasoline and weight tax collections under provisions of Act 51 of 1951 as amended.

Local Road Fund

The Local Road Fund accounts for the repairs, maintenance, and construction of all the City's local streets. The revenues consist of State-shared gasoline and weight tax collections under provisions of Act 51 of 1951 as amended.

Improvement Revolving Fund

The Improvement Revolving Fund is a special revenue fund used to account for money advanced from the General Fund in accordance with statutory provisions.

Fiduciary Funds

Agency Funds

Agency Funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds. The funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Property Taxes

The City of Lake Angelus property taxes are levied on each July 1st on the taxable valuation of property (as defined by State statutes) located in the City of Lake Angelus as of the preceding December 31st.

The City is a Home Rule City with a fiscal year beginning July 1 and ending June 30. Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These property taxes are billed on July 1 of the following year. Property taxes are billed on July 1 and are recognized as revenues for the year beginning July 1. These taxes are due on August 31 and with the final collection date of February 28. Delinquent real property taxes are purchased by Oakland County from the City, and accordingly are recognized as revenue in the current year. Delinquent personal property taxes are not recorded as taxes receivable, revenues are recognized when received.

The 2007 taxable valuation of the City of Lake Angelus total \$67,032,390, on which ad valorem taxes levied consisted of 9.9571 mills for the City of Lake Angelus operation purposes, raising \$667,447. This amount is recognized in the General Fund financial statements as property taxes.

Assets, Liabilities, and Net Assets or Equity

Cash and Investments

Deposits are carried at cost and consist of cash on hand, checking accounts, and investments in short-term investments, generally pooled investment funds. The carrying value of deposits, which includes certificates of deposit, is separately displayed on the balance sheet as "cash and cash equivalents".

Receivables

In general, outstanding balances between funds are reported as "due to/from other funds" on the balance sheet.

All receivables are considered fully collectible by the City. No provision has been made in the financial statements for noncollection.

CITY OF LAKE ANGELUS, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE A - Summary of Significant Accounting Policies (continued)

Assets, Liabilities, and Net Assets or Equity (continued)

Restricted Assets

According to the provisions of the consent judgment the amount received is to be set aside for environmental expenditures.

Capital Assets

Capital assets, which include land, land improvements, buildings, building improvements, vehicles, machinery, and equipment are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Infrastructure assets acquired or constructed prior to July 1, 2003 are not reported in the financial statements. There were no infrastructure assets acquired or constructed during the year ended June 30, 2008.

Capital assets are reported net of accumulated depreciation in the statement of net assets.

Capital assets are depreciated over their estimated useful lives. Depreciation expense is reported in the statement of activities by allocating the net cost over the estimated useful life of the assets. Assets are depreciated on an individual basis for equipment and buildings.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

| | <u>Years</u> |
|----------------------------|--------------|
| Buildings and Improvements | 5-50 |
| Vehicles | 5-12 |
| Furniture and Equipment | 5-20 |
| (Police, Fire, Office) | |

Compensated Absences (Sick Leave)

The City has no liability for compensation absences at June 30, 2008.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance present tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

CITY OF LAKE ANGELUS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE B - Expenditures Over Budget

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and Special Revenue Funds. All annual appropriations lapse at year end. The City's appropriation resolution is generally passed during the May preceding the year in which the planned expenditures relate. Subsequent amendments are made to avoid unfavorable variances from the original budget. Related resolutions are made to state the purpose and amount of the changes. The City Mayor has the responsibility to enforce the budget. Unused appropriations do not carry forward to the next year.

The budget document presents information by fund, function, department and line items. The legal level (the level at which expenditures may not legally exceed appropriations) of budgetary control adopted by the Council is at the department (activity) level.

The City Council must approve budget amendments at the activity level and supplemental appropriations, which affect total fund expenditures. The Treasurer can transfer appropriations between line items within a department or activity without governing body approval.

Supplemental appropriations were necessary during the year, which increased total expenditures.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

P.A. 2 of 1968 as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated in budget resolutions of the governing body.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the City of Lake Angelus did not incur expenditures in certain budgeted funds which were significantly in excess of the amounts appropriated.

NOTE C - Deposits and Investments

Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for investment by local units of government in Michigan.

The City has designated various banks for the deposit of City funds. The treasurer keeps a list of approved banks. The investment policy adopted by the Council in accordance with Public Act 196 of 1997 has authorized investment in all of the State statutory authority as listed above. The City's deposits and investment policies are in accordance with statutory authority.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$327,671 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

CITY OF LAKE ANGELUS, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE C - Deposits and Investments (continued)

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. At year end, the City had no investment securities that were uninsured and unregistered, held by the counterparty, or by its trust department or agent but not in the City's name.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the City was invested only in bank investment pools that are 2a-7 and money market accounts.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has an investment policy that further limits its investment choices as detailed above. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

| <u>Investment</u> | <u>Fair Value</u> | <u>Rating</u> | <u>Rating Organization</u> |
|-------------------|-------------------|---------------|----------------------------|
| Sweep account | \$ 406,000 | A-1 | Moody's |

NOTE D - Capital Assets

Capital asset activity of the primary government for the current year was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---------------------------------------|------------------------------|------------------|------------------|---------------------------|
| Governmental Activities: | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Real property and improvements | \$ 410,814 | \$ | \$ | \$ 410,814 |
| Recreation - land | 568,500 | | | 568,500 |
| Recreation - wildlife refuge | 226,200 | | | 226,200 |
| Subtotal | \$1,205,514 | \$ | \$ | \$1,205,514 |
| Capital Assets Being Depreciated: | | | | |
| City hall and furnishings | \$ 77,241 | \$ 18,033 | \$ 5,444 | \$ 89,830 |
| Dam control structure | 36,300 | | | 36,300 |
| Public safety | 221,869 | 33,330 | 27,171 | 228,028 |
| Real property and improvements | 106,711 | | | 106,711 |
| Recreation - buildings | 91,546 | 2,920 | | 94,466 |
| Recreation - wildlife refuge | 15,364 | | | 15,364 |
| Recreation - tennis courts | 41,493 | | | 41,493 |
| Subtotal | \$ 590,524 | \$ 54,283 | \$ 32,615 | \$ 612,192 |
| Less Accumulated Depreciation: | | | | |
| City hall and furnishings | \$ 59,801 | \$ 5,144 | \$ 5,444 | \$ 59,501 |
| Dam control structure | 19,158 | 726 | | 19,884 |
| Public safety | 59,658 | 23,562 | 14,944 | 68,276 |
| Real property and improvements | 30,930 | 5,365 | | 36,295 |
| Recreation - buildings | 74,789 | 2,468 | | 77,257 |
| Recreation - wildlife refuge | 15,364 | | | 15,364 |
| Recreation - tennis courts | 38,688 | 210 | | 38,898 |
| Subtotal | \$ 298,388 | \$ 37,475 | \$ 20,388 | \$ 315,475 |
| Net capital assets being depreciated | \$ 292,136 | \$ 16,808 | \$ 12,227 | \$ 296,717 |
| Net capital assets | \$1,497,650 | \$ 16,808 | \$ 12,227 | \$1,502,231 |

CITY OF LAKE ANGELUS, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE D - Capital Assets (continued)

Depreciation expense was charged to programs of the primary government as follows:

| | |
|-------------------------------|-----------------|
| Governmental Activities: | |
| General Government | \$11,235 |
| Public Safety | 23,562 |
| Recreation and Culture | <u>2,678</u> |
| Total Governmental Activities | <u>\$37,475</u> |

NOTE E - Interfund Receivables, Payables and Transfers

The following are the interfund receivables at June 30, 2008:

| <u>Fund Due To</u> | <u>Fund Due From</u> | <u>Amount</u> |
|--------------------|----------------------|---------------|
| General Fund | Tax Collection Fund | \$ 489 |

These balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers

| | |
|-----------------|------------------------|
| | <u>Transfers (Out)</u> |
| Transfers In | <u>Major Road Fund</u> |
| Local Road Fund | \$ 4,699 |

NOTE F - Restricted Assets

The balances of the restricted asset accounts are as follows:

| | |
|---------------|-----------------|
| General Fund: | |
| Environmental | \$78,130 |
| City Hall | <u>8,075</u> |
| | <u>\$86,205</u> |

NOTE G - Fire Protection Agreement:

Effective July 1, 2002 the City has entered into a fire protection agreement with Waterford Township. The services the Township shall provide for the City includes fire fighting and response, arson investigation and follow-up, EMS response, and dispatch services for fire, police and EMS calls. The term of this agreement is from July 1, 2002 to December 31, 2012. The annual payments shall be increased by an amount equal to an annual escalator of 5% per year.

As part of the agreement, the City has purchased for the Township a fire truck in the amount of \$356,079 along with fire equipment in the amount of \$55,220 during the year ended June 30, 2003. Title to the fire truck and equipment is in the name of the Township and therefore, is not reflected in the City's general fixed assets. The Township also maintains insurance coverage for the fire truck and equipment. At the termination of the fire protection agreement for any reason or if the agreement is not renewed at the end of the original ten year period provided for in the agreement, the Township shall assign title of the fire truck to the City. In respect to the fire equipment, the City may request one or more of the items of equipment, in which case the Township shall release to the City free of any claim of the Township.

NOTE H - Equity:

Fund balances have been reserved and designated for the following purposes:

| | |
|----------------------------|---------------------|
| | <u>General Fund</u> |
| Reserved: | |
| Environmental expenditures | \$ 78,130 |
| City Hall restoration | <u>8,075</u> |
| | <u>\$ 86,205</u> |

CITY OF LAKE ANGELUS, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE I - Risk Management:

The City is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation). The City has purchased commercial insurance for worker's compensation claims. The City participates in the Michigan Municipal Risk Management Authority state pool for claims relating to property loss, torts, errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority state pool program operates as a common risk-sharing management program; state pool member premiums are aggregated and used to purchase excess insurance coverage, some of which is underwritten by the Authority.

NOTE J - Litigation and Contingent Liabilities:

The City is a defendant in various litigations. The City attorney and management are of the opinion that any potential liability resulting from these cases, either can not be determined, is not material or should be within the insurance coverage of the City, therefore, is not reflected in the financial statements.

NOTE K - Building Permit Fund:

As per Public Act 245 of 1999 the building permit schedule of revenues and expenditures for the year is detailed below:

| | |
|---|------------------|
| Revenues: | |
| Building permits (including electrical, heating and plumbing) | \$15,194 |
| Expenditures: | |
| Inspections | <u>16,842</u> |
| Excess of revenues over (under) expenditures | \$(1,648) |
| Balance at July 1, 2007 | <u>(4,005)</u> |
| Balance at June 30, 2008 | <u>\$(5,653)</u> |

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF LAKE ANGELUS, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the Year Ended June 30, 2008

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget Favorable (Unfavorable) |
|---|--------------------|-------------------|-------------------|---|
| Revenues: | | | | |
| Taxes: | | | | |
| Current taxes | \$ 667,448 | \$ 667,448 | \$ 663,258 | \$ (4,190) |
| Administration fee | 615 | 615 | | (615) |
| Interest and penalty | | | 1,458 | 1,458 |
| | <u>\$ 668,063</u> | <u>\$ 668,063</u> | <u>\$ 664,716</u> | <u>\$ (3,347)</u> |
| Licenses and permits | 10,000 | 16,000 | 15,194 | (806) |
| State sources - state revenue sharing | 26,154 | 25,654 | 26,097 | 443 |
| Fines and forfeitures | 2,000 | 1,200 | 1,209 | 9 |
| Interest earnings | 29,000 | 33,800 | 37,194 | 3,394 |
| Other revenue: | | | | |
| Cable TV | 5,600 | 4,500 | 5,552 | 1,052 |
| Consent judgments | 22,800 | 22,800 | 22,720 | (80) |
| Donations - Lake Restoration Fund | | 7,500 | 8,075 | 575 |
| Sale of fixed assets | 4,500 | 4,500 | 4,600 | 100 |
| Miscellaneous | 4,500 | 3,500 | 6,190 | 2,690 |
| | <u>\$ 37,400</u> | <u>\$ 42,800</u> | <u>\$ 47,137</u> | <u>\$ 4,337</u> |
| Total other revenue | | | | |
| Total revenues | <u>\$ 772,617</u> | <u>\$ 787,517</u> | <u>\$ 791,547</u> | <u>\$ 4,030</u> |
| Expenditures: | | | | |
| General Government: | | | | |
| City Council: | | | | |
| Legal fees- general | 18,000 | 15,000 | 15,281 | (281) |
| Legal fees- court costs | 1,000 | 1,500 | 1,312 | 188 |
| Audit fee | 6,000 | 6,300 | 6,235 | 65 |
| Memberships | 1,250 | 450 | 413 | 37 |
| Council expenses | 1,300 | 1,300 | 1,360 | (60) |
| | <u>\$ 27,550</u> | <u>\$ 24,550</u> | <u>\$ 24,601</u> | <u>\$ (51)</u> |
| Elections: | | | | |
| Fees per diem | 1,900 | 2,300 | 1,747 | 553 |
| Notices | 600 | 600 | | |
| | <u>\$ 2,500</u> | <u>\$ 2,900</u> | <u>\$ 1,747</u> | <u>\$ 553</u> |
| Assessor: | | | | |
| Assessing fee | 12,000 | 12,000 | 11,970 | 30 |
| Other fees | 240 | 240 | 166 | 74 |
| Office supplies | 50 | 50 | | 50 |
| | <u>\$ 12,290</u> | <u>\$ 12,290</u> | <u>\$ 12,136</u> | <u>\$ 154</u> |

CITY OF LAKE ANGELUS, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2008

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget Favorable (Unfavorable) |
|---|--------------------|-------------------|-------------------|---|
| General Government (continued): | | | | |
| Clerk-Treasurer: | | | | |
| Salaries | 30,000 | 30,000 | 30,000 | |
| Payroll taxes | 2,300 | 2,300 | 2,295 | 5 |
| Telephone | 1,360 | 1,360 | 1,464 | (104) |
| Postage, stationery and printing | 1,200 | 1,200 | 946 | 254 |
| Computer services | 1,050 | 1,050 | 898 | 152 |
| Legal notices | 2,500 | 2,500 | 1,749 | 751 |
| | <u>\$ 38,410</u> | <u>\$ 38,410</u> | <u>\$ 37,352</u> | <u>\$ 1,058</u> |
| City Hall and grounds: | | | | |
| Repairs and maintenance | 24,500 | 24,500 | 21,639 | 2,861 |
| Utilities | 2,000 | 2,000 | 1,850 | 150 |
| | <u>\$ 26,500</u> | <u>\$ 26,500</u> | <u>\$ 23,489</u> | <u>\$ 3,011</u> |
| Other general services administration activities: | | | | |
| Insurance- general | 32,500 | 32,500 | 30,265 | 2,235 |
| Fireworks display | 8,000 | 8,000 | 8,000 | |
| Street maintenance | 4,800 | 3,800 | 400 | 3,400 |
| City website | 2,800 | 3,100 | 3,050 | 50 |
| Publication | 2,400 | 2,400 | | 2,400 |
| Environmental | 34,000 | 30,000 | 29,836 | 164 |
| Miscellaneous | 37,497 | 69,847 | 1,793 | 68,054 |
| | <u>\$ 121,997</u> | <u>\$ 149,647</u> | <u>\$ 73,344</u> | <u>\$ 76,303</u> |
| Total general government | <u>\$ 229,247</u> | <u>\$ 254,297</u> | <u>\$ 172,669</u> | <u>\$ 81,028</u> |
| Public safety: | | | | |
| Police department: | | | | |
| Salaries | 198,500 | 198,500 | 201,048 | (2,548) |
| Payroll taxes | 19,000 | 19,000 | 18,497 | 503 |
| Education and training | 3,000 | 3,000 | 850 | 2,150 |
| Uniforms | 3,000 | 3,000 | 1,426 | 1,574 |
| Auto expense and repair | 4,200 | 5,200 | 4,127 | 1,073 |
| Boat expense | 500 | 1,000 | 929 | 71 |
| Insurance | 15,700 | 14,200 | 13,549 | 651 |
| Gas and Oil | 13,000 | 11,000 | 9,627 | 1,373 |
| Telephone | 2,300 | 2,300 | 2,127 | 173 |
| Utilities | 3,000 | 3,000 | 2,589 | 411 |
| Dispatch | 20,500 | 14,000 | 11,282 | 2,718 |
| Legal fees | 7,500 | 3,000 | 2,122 | 878 |
| Security monitoring | 700 | 700 | 578 | 122 |
| Computer | 1,000 | 1,000 | 517 | 483 |
| Cleaning | 1,800 | 1,800 | 1,700 | 100 |
| Miscellaneous supplies | 5,000 | 4,000 | 2,829 | 1,171 |
| | <u>\$ 298,700</u> | <u>\$ 284,700</u> | <u>\$ 273,797</u> | <u>\$ 10,903</u> |
| Fire protection | 177,220 | 177,220 | 177,005 | 215 |
| Inspections | 21,600 | 22,100 | 15,573 | 6,527 |
| Total public safety | <u>\$ 497,520</u> | <u>\$ 484,020</u> | <u>\$ 466,375</u> | <u>\$ 17,645</u> |

CITY OF LAKE ANGELUS, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2008

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget Favorable (Unfavorable) |
|--|--------------------|-------------------|------------|---|
| Culture and recreation: | | | | |
| Repairs and maintenance | 10,250 | 10,100 | 6,564 | 3,536 |
| Miscellaneous | 1,100 | 1,100 | 501 | 599 |
| Total culture and recreation | \$ 11,350 | \$ 11,200 | \$ 7,065 | \$ 4,135 |
| Capital outlay: | | | | |
| City Hall and grounds | 5,000 | 7,500 | 3,350 | 4,150 |
| Public safety | 29,000 | 30,000 | 30,107 | (107) |
| Dam control structure | 500 | 500 | | 500 |
| Total capital outlay | \$ 34,500 | \$ 38,000 | \$ 33,457 | \$ 4,543 |
| Total expenditures | \$ 772,617 | \$ 787,517 | \$ 679,566 | \$ 107,351 |
| Excess of revenues over expenditures | \$ - | \$ - | \$ 111,981 | \$ 111,381 |
| Fund balance - July 1, 2007 | 727,083 | 727,083 | 727,083 | |
| Fund balance - July 30, 2008 | \$ 727,083 | \$ 727,083 | \$ 839,064 | \$ 111,381 |

CITY OF LAKE ANGELUS, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
MAJOR ROAD FUND

For the Year Ended June 30, 2008

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget Favorable (Unfavorable) |
|--|--------------------|-------------------|-----------|---|
| Revenues: | | | | |
| State source | \$ 9,728 | \$ 9,728 | \$ 9,397 | \$ (331) |
| Interest earnings | 1,500 | 2,800 | 2,607 | (193) |
| Total revenues | \$ 11,228 | \$ 12,528 | \$ 12,004 | \$ (524) |
| Expenditures: | | | | |
| Road maintenance | 32,880 | 7,880 | 4,088 | 3,792 |
| Administration | 400 | 500 | 500 | |
| Total expenditures | \$ 33,280 | \$ 8,380 | \$ 4,588 | \$ 3,792 |
| Excess of revenues over (under) expenditures | \$ (22,052) | \$ 4,148 | \$ 7,416 | \$ 3,268 |
| Other financing uses - operating transfers out | 2,432 | 4,862 | 4,699 | 163 |
| Excess of revenues over (under) expenditures and other uses | \$ (24,484) | \$ (714) | \$ 2,717 | \$ 3,431 |
| Fund balance - July 1, 2007 | 67,089 | 67,089 | 67,089 | |
| Fund balance - June 30, 2008 | \$ 42,605 | \$ 66,375 | \$ 69,806 | \$ 3,431 |

CITY OF LAKE ANGELUS, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
LOCAL ROAD FUND

For the Year Ended June 30, 2008

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget Favorable (Unfavorable) |
|---|--------------------|-------------------|-----------|---|
| Revenues: | | | | |
| State source | \$ 3,244 | \$ 3,244 | \$ 3,723 | \$ 479 |
| Interest earnings | 150 | 180 | 200 | 20 |
| Total revenues | \$ 3,394 | \$ 3,424 | \$ 3,923 | \$ 499 |
| Expenditures: | | | | |
| Road maintenance | 5,426 | 7,786 | 2,842 | 4,944 |
| Administration | 400 | 500 | 500 | |
| Total expenditures | \$ 5,826 | \$ 8,286 | \$ 3,342 | \$ 4,944 |
| Excess of revenues over (under) expenditures | \$ (2,432) | \$ (4,862) | \$ 581 | \$ 5,443 |
| Other financing sources - operating transfers in | 2,432 | 4,862 | 4,699 | (163) |
| Excess of revenues and other sources over expenditures | \$ | \$ | \$ 5,280 | \$ 5,280 |
| Fund balance - July 1, 2007 | 27,085 | 27,085 | 27,085 | |
| Fund balance - June 30, 2008 | \$ 27,085 | \$ 27,085 | \$ 32,365 | \$ 5,280 |

CITY OF LAKE ANGELUS, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
IMPROVEMENT REVOLVING FUND

For the Year Ended June 30, 2008

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget Favorable (Unfavorable) |
|---|--------------------|-------------------|-------------------|---|
| Revenues: | | | | |
| Interest earnings. | \$ | \$ | \$ 3,922 | \$ 3,922 |
| Expenditures: | | | | |
| Miscellaneous. | | | 4 | (4) |
| Excess of revenues over (under) expenditures. | \$ | \$ | \$ 3,918 | \$ 3,918 |
| Fund balance - July 1, 2007. | 101,977 | 101,977 | 101,977 | |
| Fund balance - June 30, 2008 | <u>\$ 101,977</u> | <u>\$ 101,977</u> | <u>\$ 105,895</u> | <u>\$ 3,918</u> |

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

FREDERICK C. JANZ
ROBERT I. KNIGHT
KENNETH E. ZINK
JOHN M. FOSTER

JOHN W. MACKEY
MICHAEL V. HIGGINS
JOHN E. MIELKE, JR.
DAWN M. LENGERS
JOSHUA J. LYNN
TROY R. FORMAN
JAMES A. STEPHENSON, IV
STEPHEN C. OTIS

JANZ & KNIGHT, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS
300 EAST LONG LAKE ROAD, SUITE 360
BLOOMFIELD HILLS, MICHIGAN 48304-2377

TELEPHONE (248) 646-9666
FACSIMILE (248) 646-3857

50
YEARS
1954-2004

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

October 24, 2008

To the City Council and Management of
the City of Lake Angelus, Michigan

Supplementing our report on audit of accounts of the City of Lake Angelus for the year ended June 30, 2008 we offer the following general management comment and recommendation:

1. Because of the limited office personnel many internal controls are impractical due to the lack of segregation of duties. It is our recommendation that the City Council continuously monitor internal controls and implement as many controls possible to offset risks regarding collections, disbursements, and recording of accounting transactions.
2. Due to lack of segregation of duties it is recommended that the City produce a procedures manual on office/accounting operations in the event the City's key employee is not available. During the creation of this manual it is recommended that the City identify and address any areas they feel the City is at risk.
3. Due to the lack of segregation of duties the Treasurer has access to all aspects of cash. We recommend that all bank statements be mailed to an independent party with no access to cash for inspection. Since the Mayor is already producing an alternative bank reconciliation to match against the Treasurer's bank reconciliation, we recommend that all bank statements be mailed to the Mayor for initial review prior to forwarding to the Treasurer.
4. Currently, as the Clerk receives the mail, she prepares a listing of cash receipts for property taxes and State of Michigan revenue. We recommend that the Clerk prepare a listing of all cash receipts daily. This listing should then be compared to the Quickbooks deposit records and authenticated copies of deposit slips by an independent person, e.g., the Mayor.

We would like to thank the Council for the opportunity to serve as auditors for the City, and to express our appreciation for the courtesy and cooperation extended to our staff during the course of our audit. We would be pleased to discuss the above item with the Council and to assist in the implementation of the recommendation.

To the City Council and Management of
the City of Lake Angelus, Michigan

October 24, 2008
Page Two

This report is intended solely for the information and use of the City Council, management, and others within the administration. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Very truly yours,

Jany & Knight, P.C.

Certified Public Accountants

J&K/lw